

Message Text

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ACTION EB-11

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COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

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SUBJ: EC-7 S ARTICLE XXIV:6 RENEGOTIATIONS JUNE 27, 1973

SUMMARY: USDEL SUGGESTS A PRESENTATION JUSTIFYING POSSIBLE
US REQUESTS FOR IMPROVEMENT IN EC OFFER AND SUBMITS A
JUSTIFICATION FOR INDUSTRIAL REQUESTS. END SUMMARY

1. EC REPORTEDLY CONSIDERS US AGRICULTURAL CLAIMS ARE
MORE THAN OFFSET BY EC OFFER ON INDUSTRIAL ITEMS. USDEL
SUGGESTS, THEREFORE, THAT ANY REQUEST LIST EVENTUALLY
PRESENTED BY US BE ACCOMPANIED BY A PRESENTATION SHOW-
ING (A) EC OFFER IS DEFICIENT EVEN IN INDUSTRIAL SECTOR
AND US REQUEST ON INDUSTRIAL ITEMS IS REASONABLE IN
RELATION TO CLAIMS IN THAT SECTOR, AND (B) EC OFFER IS
GROSSLY DEFICIENT IN AGRICULTURAL SECTOR AND US REQUESTS
IN AGRICULTURAL SECTOR ARE ALSO REASONABLE IN RELATION
TO CLAIMS IN THAT SECTOR. THIS MESSAGE CONVEYS USDEL' S
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PROPOSAL FOR A SUMMARY PRESENTATION OF THE FIRST OF THESE POINTS. A SUBSEQUENT MESSAGE WILL DEAL WITH THE SECOND.

2. USDEL ASSUMES THAT THE NON- AGRICULTURAL REQUESTS WILL BE (OR WILL CLOSELY RESEMBLE IN TRADE COVERAGE AND IN AVERAGE DEPTH OF CUT) THOSE LISTED IN ANNEX B OF AMBASSADOR EBERLE' S JUNE 1, 1973 MEMORANDUM TO THE CIEP SENIOR REVIEW GROUP, LESS CXT ITEMS 3003 A2 B, 3209 A2, 3819 T, 7601 A, 840601 B2, 8523, 8706 B2, 9024 C, 9028 A AND 9029 A, AND PLUS CXT ITEMS 7302 E1, 8401 B1, 8422 B, 8423 B, 9212 B2 B1, AND 9212 B2 B2. TRADE COVERAGE OF THIS LIST IS \$568 MILLION, AND IF THE REQUESTS WERE MET DUTIES COLLECTED WOULD BE REDUCED BY SOME \$28 MILLION.

3. USDEL HAS DRAFTED THE FOLLOWING TWO PARAGRAPHS, THE FIRST OF WHICH IS BASED ON DEPARTMENT OF COMMERCE DATA, TO SHOW THAT THE EC OFFER ON INDUSTRIAL PRODUCTS DOES NOT COMPENSATE THE US SUFFICIENTLY EVEN FOR ITS INDUSTRIAL CLAIMS AND TO JUSTIFY A REQUEST (OF THE SCOPE DESCRIBED IN PARA 1 ABOVE) FOR ADDITIONAL COMPENSATION ON NON- AGRICULTURAL ITEMS.

A. NON- AGRICULTURAL PRODUCTS. THE EC OFFER FOR INDUSTRIAL PRODUCTS HAS BEEN FULLY EVALUATED BY THE US. THE PURPOSE OF THIS EVALUATION WAS TO ASCERTAIN WHAT EFFECT THE PROPOSED TARIFF INCREASES AND DECREASES WILL HAVE ON ACTUAL US EXPORTS. TO DETERMINE THIS EFFECT, IT WAS NECESSARY TO TAKE INTO CONSIDERATION ALL AVAILABLE DATA ON THE MARKET FACTORS OF THE ENLARGED EC. THESE AVAILABLE DATA INCLUDE NOT ONLY THE TARIFF CHANGES THAT THE US WOULD EXPERIENCE, BUT ALSO SUCH FACTORS AS ELASTICITIES OF DEMAND AND SUBSTITUTION AND THE TARIFF SITUATION OF MAJOR US COMPETITORS INSIDE AND OUTSIDE THE ENLARGED COMMUNITY. ONLY BY EXAMINING ALL OF THESE FACTORS IS IT POSSIBLE TO DETERMINE THE REAL VALUE TO THE US OF THE EC OFFER.

IN THOSE ITEMS WHERE THE EC HAS PROPOSED TO INCREASE TARIFFS ABOVE RATES PREVIOUSLY BOUND IN THE THREE ACCEDING COUNTRIES, THE US STUDY INDICATES THAT THE US WILL LOSE ABOUT \$140 MILLION ANNUALLY IN EXPORT SALES LIMITED OFFICIAL USE

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TO THE THREE. THE ANALYSIS OF ITEMS FOR WHICH TARIFF DECREASES ARE PROPOSED SHOWS THAT THE US WILL BENEFIT IN INCREASED EXPORT SALES OF \$121 MILLION IN SOME ITEMS, BUT WILL LOSE \$136 MILLION IN OTHERS. THEREFORE, THE NET RESULT FOR ITEMS WHERE LOWER TARIFFS ARE OFFERED BY THE EC IS AN ANNUAL LOSS OF APPROXIMATELY \$15 MILLION IN US EXPORTS (CONSTANT DOLLARS).

THUS, THE OVERALL ADVERSE RESULT OF EC ENLARGEMENT ON US INDUSTRIAL EXPORTS IS ESTIMATED TO BE GREATER THAN \$155 MILLION ANNUALLY, IF THE TARIFF SCHEDULE PROPOSED FOR THE EC OF NINE IS NOT MODIFIED IN THE COURSE OF THE CURRENT RENEGOTIATIONS.

B. INDUSTRY CLAIMS AND REQUESTS. THE US SUBMITTED TO THE EC THREE LISTS OF OVER 850 INDUSTRIAL ITEMS THAT WILL FACE HIGHER DUTIES WITH THE ENLARGEMENT OF THE EEC. THE TRADE COVERAGE OF THESE CLAIMS AMOUNTED TO OVER \$680 MILLION IN US EXPORTS. THESE INITIAL CLAIMS WERE BASED ON US NEGOTIATING AND CONSULTING PREROGATIVES IN THE ACCEDING STATES, AND WERE LISTED IN TERMS OF THEIR GATT SCHEDULES. IN ACCORDANCE WITH THE REQUIREMENT OF ART XXIV:6, THE US SUBMITTED ANOTHER LIST, IN TERMS OF THE CXT, THAT TOOK INTO ACCOUNT "COMPENSATION ALREADY AFFORDED BY THE REDUCTIONS BROUGHT ABOUT IN THE CORRESPONDING DUTY OF THE OTHER CONSTITUENTS OF THE UNION." THIS LIST IS IN TERMS OF THE CXT AND IS COMPRISED OF SLIGHTLY LESS THAN 600 ITEMS, AND HAS \$73 MILLION LESS TRADE COVERAGE THAN THE INDIVIDUAL COUNTRY LISTS.

THE US REQUEST CONSISTS OF 43 ITEMS FROM THE CXT LIST THAT WILL SUFFER SIGNIFICANT TRADE DAMAGE AS A RESULT OF ENLARGEMENT. THE TRADE COVERAGE IN THE THREE OF THE REQUEST ITEMS IS ONLY \$ 203 MILLION, OR LESS THAN ONE- THIRD OF THE ORIGINAL US CLAIM. THE TRADE COVERAGE IN TERMS OF THE NINE FOR THE US REQUEST IS \$568 MILLION.

THE US BELIEVES THAT THIS IS A MODEST AND FAIR REQUEST. BASSIN

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